

# HOUSE BILL No. 1918

## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 4-22-2-37.1; IC 4-35; IC 35-45-5-11.

**Synopsis:** Electronic gaming devices. Requires the state lottery commission to issue licenses: (1) for certain veterans organizations and fraternal associations to conduct gambling operations with electronic gaming devices; and (2) to persons that distribute these electronic gaming devices. Establishes qualifications and procedures for persons to obtain licenses. Specifies certain licensure fees. Imposes a tax on the revenue generated from electronic gaming device operations at the rate of 1% to be paid to the department of state revenue on a quarterly basis. Creates an electronic gaming fund that consists of licensing fees and appropriates to the lottery commission an amount sufficient to cover expenses of administering licensing procedures.

**Effective:** July 1, 1999.

**Sturtz**

January 26, 1999, read first time and referred to Committee on Public Policy, Ethics and Veterans Affairs.



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Introduced

First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

## HOUSE BILL No. 1918

A BILL FOR AN ACT to amend the Indiana Code concerning state offices and administration.

*Be it enacted by the General Assembly of the State of Indiana:*

- 1 SECTION 1. IC 4-22-2-37.1 IS AMENDED TO READ AS
- 2 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 37.1. (a) This section
- 3 applies to a rulemaking action resulting in any of the following rules:
- 4 (1) An order adopted by the commissioner of the Indiana
- 5 department of transportation under IC 9-20-1-3(d) or
- 6 IC 9-21-4-7(a) and designated by the commissioner as an
- 7 emergency rule.
- 8 (2) An action taken by the director of the department of natural
- 9 resources under IC 14-22-2-6(d) or IC 14-22-6-13.
- 10 (3) An emergency temporary standard adopted by the
- 11 occupational safety standards commission under
- 12 IC 22-8-1.1-16.1.
- 13 (4) An emergency rule adopted by the solid waste management
- 14 board under IC 13-22-2-3 and classifying a waste as hazardous.
- 15 (5) A rule, other than a rule described in subdivision (6), adopted
- 16 by the department of financial institutions under IC 24-4.5-6-107
- 17 and declared necessary to meet an emergency.

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(6) A rule required under IC 24-4.5-1-106 that is adopted by the department of financial institutions and declared necessary to meet an emergency under IC 24-4.5-6-107.

(7) A rule adopted by the Indiana utility regulatory commission to address an emergency under IC 8-1-2-113.

(8) An emergency rule jointly adopted by the water pollution control board and the budget agency under IC 13-18-13-18.

(9) An emergency rule adopted by the state lottery commission under IC 4-30-3-9 **or IC 4-35-3-2.**

(10) A rule adopted under IC 16-19-3-5 that the executive board of the state department of health declares is necessary to meet an emergency.

(11) An emergency rule adopted by the Indiana transportation finance authority under IC 8-21-12.

(12) An emergency rule adopted by the insurance commissioner under IC 27-1-23-7.

(13) An emergency rule adopted by the Indiana horse racing commission under IC 4-31-3-9.

(14) An emergency rule adopted by the air pollution control board, the solid waste management board, or the water pollution control board under IC 13-15-4-10(4) or to comply with a deadline required by federal law, provided:

(A) the variance procedures are included in the rules; and

(B) permits or licenses granted during the period the emergency rule is in effect are reviewed after the emergency rule expires.

(15) An emergency rule adopted by the Indiana election commission under IC 3-6-4.1-14.

(16) An emergency rule adopted by the department of natural resources under IC 14-10-2-5.

(17) An emergency rule adopted by the Indiana gaming commission under IC 4-33-4-2, IC 4-33-4-3, or IC 4-33-4-14.

(18) An emergency rule adopted by the alcoholic beverage commission under IC 7.1-3-17.5, IC 7.1-3-17.7, or IC 7.1-3-20-24.4.

(19) An emergency rule adopted by the department of financial institutions under IC 28-15-11.

(20) An emergency rule adopted by the office of the secretary of family and social services under IC 12-8-1-12.

(b) The following do not apply to rules described in subsection (a):

(1) Sections 24 through 36 of this chapter.

(2) IC 13-14-9.

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(c) After a rule described in subsection (a) has been adopted by the agency, the agency shall submit the rule to the publisher for the assignment of a document control number. The agency shall submit the rule in the form required by section 20 of this chapter and with the documents required by section 21 of this chapter. The publisher shall determine the number of copies of the rule and other documents to be submitted under this subsection.

(d) After the document control number has been assigned, the agency shall submit the rule to the secretary of state for filing. The agency shall submit the rule in the form required by section 20 of this chapter and with the documents required by section 21 of this chapter. The secretary of state shall determine the number of copies of the rule and other documents to be submitted under this subsection.

(e) Subject to section 39 of this chapter, the secretary of state shall:

- (1) accept the rule for filing; and
- (2) file stamp and indicate the date and time that the rule is accepted on every duplicate original copy submitted.

(f) A rule described in subsection (a) takes effect on the latest of the following dates:

- (1) The effective date of the statute delegating authority to the agency to adopt the rule.
- (2) The date and time that the rule is accepted for filing under subsection (e).
- (3) The effective date stated by the adopting agency in the rule.
- (4) The date of compliance with every requirement established by law as a prerequisite to the adoption or effectiveness of the rule.

(g) Subject to subsection (h), IC 14-10-2-5, IC 14-22-2-6, and IC 22-8-1.1-16.1, a rule adopted under this section expires not later than ninety (90) days after the rule is accepted for filing under subsection (e). Except for a rule adopted under subsection (a)(14), the rule may be extended by adopting another rule under this section, but only for one (1) extension period. A rule adopted under subsection (a)(14) may be extended for two (2) extension periods. Except for a rule adopted under subsection (a)(14), for a rule adopted under this section to be effective after one (1) extension period, the rule must be adopted under:

- (1) sections 24 through 36 of this chapter; or
- (2) IC 13-14-9;

as applicable.

(h) A rule described in subsection (a)(6), (a)(9), or (a)(13) expires on the earlier of the following dates:

- (1) The expiration date stated by the adopting agency in the rule.

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(2) The date that the rule is amended or repealed by a later rule adopted under sections 24 through 36 of this chapter or this section.

(i) This section may not be used to readopt a rule under IC 4-22-2.5.

SECTION 2. IC 4-35 IS ADDED TO THE INDIANA CODE AS A NEW ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999]:

## **ARTICLE 35. ELECTRONIC GAMING IN CLUBS**

### **Chapter 1. Definitions**

**Sec. 1.** The definitions in this chapter apply throughout this article.

**Sec. 2.** "Club" means a meeting place of a branch, lodge, or chapter of a veterans organization or fraternal association.

**Sec. 3.** "Commission" refers to the state lottery commission established under IC 4-30-3-1.

**Sec. 4.** "Distributor" means an individual or a business entity that is licensed under IC 4-35-4 to:

- (1) distribute;
- (2) sell; or
- (3) lease;

electronic gaming devices or electronic gaming associated equipment in Indiana.

**Sec. 5.** "Electronic gaming device" means an electromechanical device, an electrical device, or a machine that:

- (1) upon payment of consideration is available to play or operate;
- (2) may deliver or entitle the person playing the game to receive premiums, merchandise, tokens, redeemable game credits, or anything of value;
- (3) makes payoffs automatically or in any other manner; and
- (4) is approved by the commission for public gaming under this article.

**Sec. 6.** "Fraternal association" means a branch, lodge, or chapter of a fraternal society, an order, or an association that:

- (1) has both a state and national charter; and
- (2) is not for pecuniary profit.

**Sec. 7.** "Gambling operations" means the operation in clubs of electronic gaming devices licensed under this article.

**Sec. 8.** "Licensee" refers to a person that holds a license under this article.

**Sec. 9.** "Person" means an individual, a firm, an association, a joint venture, a partnership, a limited liability company, a



corporation, or any other group or combination.

**Sec. 10. "Qualified person" means a veterans organization or fraternal association operating in Indiana that:**

- (1) operates without profit to the organization's members;
- (2) is exempt from:
  - (A) taxation under Section 501 of the Internal Revenue Code;
  - (B) property tax under IC 6-1.1-10; or
  - (C) gross income tax under IC 6-2.1-3; and
- (3) has been continuously in existence in Indiana for at least five (5) years or is affiliated with a parent organization that has been in existence in Indiana for at least five (5) years.

**Sec. 11. "Veterans organization" means a local organization or a branch, lodge, or chapter of an organization that:**

- (1) is both state chartered and chartered by the Congress of the United States;
- (2) is not for pecuniary profit;
- (3) consists of individuals who are or were members of the armed forces of the United States;
- (4) is organized for the mutual support and advancement of the organization's membership and patriotic causes; and
- (5) provides in the organization's constitution, charter, articles, or bylaws that, upon dissolution, all remaining assets of the organization shall be used for nonprofit purposes that will support or advance patriotic causes.

## **Chapter 2. General Procedures for Licensing**

**Sec. 1. The commission shall issue the following types of licenses under this article:**

- (1) A distributor license.
- (2) A club license that allows qualified persons to conduct gambling operations at clubs on electronic gaming devices.

**Sec. 2. (a) A qualified person that wishes to obtain a club license under this chapter must:**

- (1) submit any fee required by the commission; and
- (2) apply to the commission in a form required by the commission.

**(b) A qualified person that applies for a club license shall submit to the commission the following concerning the qualified person:**

- (1) The name and Indiana address of the officers of the qualified person who reside in Indiana.
- (2) The name of the qualified person.
- (3) The address of the qualified person's club.



(4) A sworn statement that no employee of the qualified person has been convicted of or entered a plea of guilty or nolo contendere to a felony in the preceding five (5) years.

(5) A sworn statement that:

(A) the name of the qualified person has not been and will not be sold, leased, or lent to another person; and

(B) the qualified person's club has not been and will not be leased or loaned to another person;

to be used for gambling operations.

(6) A copy of the federal tax exempt status for the qualified person, if applicable.

(7) Any other information that the commission determines is relevant to issuing a club license under this article.

**Sec. 3. (a)** A person who wishes to obtain a distributor license under this article must submit any fee required by the commission and apply to the commission in a form required by the commission. The application must include at least the following:

(1) The applicant's consent to credit investigations and criminal record searches.

(2) Waivers and releases, signed by the applicant, that the commission believes are necessary to ensure a full and complete review of the application.

**(b)** An applicant for a distributor license shall submit to the commission the following information concerning the applicant and any individual holding at least a thirty percent (30%) interest in the applicant:

(1) Name.

(2) Address.

(3) Fingerprints recorded on standard fingerprint cards by a state or municipal law enforcement agency (as defined in IC 5-2-5-1(9)).

**Sec. 4.** Criminal history record information obtained during an investigation of an individual shall be maintained by the commission for the term of the license and for any subsequent license term.

**Sec. 5.** The commission may conduct or cause to be conducted a background investigation of an applicant for licensure.

**Sec. 6. (a)** An applicant for licensure shall furnish all information requested by the commission, including the following:

(1) Financial data and documents.

(2) Certifications.

(3) Consents.



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1 (4) Waivers.

2 (5) Individual histories.

3 (6) Other materials requested by the commission.

4 (b) A license may not be issued to an applicant who fails to  
5 provide all material requested by the commission.

6 Sec. 7. (a) Except as provided in subsection (b), the commission  
7 may require that an application or other document submitted to  
8 the commission by an applicant for licensure or by a licensee must  
9 be sworn to or affirmed before a notary public.

10 (b) A document submitted by an attorney on behalf of an  
11 applicant shall be signed by the attorney. The attorney's signature  
12 constitutes certification that the attorney has read the forms or  
13 documents and that, to the best of the attorney's knowledge,  
14 information, and belief, the contents of the forms or documents are  
15 true.

16 Sec. 8. (a) The commission shall notify an applicant who is found  
17 ineligible for licensure of the specific reasons for denial of a license.  
18 The notification must be:

19 (1) in writing; and

20 (2) sent by certified mail, return receipt requested.

21 (b) The applicant has forty-five (45) calendar days after the date  
22 the written notice is received by the applicant to request a hearing  
23 on the accuracy of and the basis for the denial of the license.

24 Sec. 9. The commission may not issue a license to an applicant  
25 if:

26 (1) the applicant has knowingly made a false statement of  
27 material fact to the commission;

28 (2) the applicant is found by the commission to lack the  
29 necessary financial stability or responsibility for licensure;

30 (3) licensure of the applicant would adversely affect the public  
31 health, safety, or welfare;

32 (4) the applicant is an individual and is less than twenty-one  
33 (21) years of age; or

34 (5) the applicant is on the most recent tax warrant list  
35 provided to the commission by the department of state  
36 revenue.

37 Sec. 10. (a) A license issued under this article is automatically  
38 revoked if the commission determines that a licensee has offered,  
39 installed, serviced, maintained, possessed, or otherwise made  
40 available to the public an electronic gaming device that is not  
41 licensed by the commission.

42 (b) A person whose license is revoked under this section may not





1 be licensed under this article for three (3) years after the  
2 revocation.

3 **Sec. 11. Credit and security investigation information submitted**  
4 **in connection with an application for a license under this article:**

- 5 (1) is confidential for purposes of IC 5-14-3; and
- 6 (2) may not be disclosed except for official purposes under
- 7 this article or in accordance with a judicial order.

8 **Chapter 3. Powers and Duties of the State Lottery Commission**

9 **Sec. 1. The commission has the following powers and duties for**  
10 **the purpose of administering, regulating, and enforcing gambling**  
11 **operations under this article:**

- 12 (1) All powers and duties specified in this article.
- 13 (2) All powers necessary and proper to fully and effectively
- 14 execute this article.
- 15 (3) Jurisdiction and supervision over the following:
  - 16 (A) All electronic gaming device gambling operations in
  - 17 Indiana.
  - 18 (B) All persons in clubs where gambling operations are
  - 19 conducted.
- 20 (4) Investigation of and reinvestigation of applicants and
- 21 licensees and determination of the eligibility of applicants for
- 22 licenses.
- 23 (5) The taking of appropriate administrative enforcement or
- 24 disciplinary action against a licensee.
- 25 (6) Investigation of alleged violations of this article.
- 26 (7) Establishment of fees under IC 4-35-6 for licenses issued
- 27 under this article.
- 28 (8) The conduct of hearings.
- 29 (9) Issuance of subpoenas for the attendance of witnesses and
- 30 subpoenas duces tecum for the production of books, records,
- 31 and other relevant documents.
- 32 (10) The administration of oaths and affirmations to the
- 33 witnesses and the taking of depositions.
- 34 (11) The revocation, suspension, or renewal of licenses issued
- 35 under this article.
- 36 (12) The hiring of employees to gather information, conduct
- 37 investigations, and carry out other tasks under this article.
- 38 (13) The taking of any reasonable or appropriate action to
- 39 enforce this article.

40 **Sec. 2. The commission shall adopt rules under IC 4-22-2, and**  
41 **may adopt emergency rules under IC 4-22-2-37.1, concerning the**  
42 **following:**



(1) Administration of this article.

(2) Establishment of the conditions under which gambling operations may be conducted under this article.

(3) Prevention of practices detrimental to the public interest and provision for the best interests of electronic gaming device gambling.

(4) Imposition of penalties for noncriminal violations of this article.

(5) Protection or enhancement of the following:

(A) The credibility and integrity of gambling operations authorized by this article.

(B) The regulatory process provided in this article.

(6) Authorization of electronic gaming devices that are approved for gambling operations under this article.

(7) Any other matters necessary or desirable for the efficient and economical operation of electronic gaming devices under this article.

**Sec. 3. The commission shall do the following:**

(1) Conduct all hearings concerning civil violations of this article.

(2) Collect license fees imposed under this article and deposit the fees in the electronic gaming fund established by IC 4-35-8.

(3) Levy and collect penalties for noncriminal violations of this article and deposit the penalties in the electronic gaming fund established by IC 4-35-8.

**Sec. 4. The commission may employ or contract for additional investigators to oversee the gambling operations under this article.**

**Sec. 5. The commission shall require that a licensee's records concerning gambling operations must be maintained in the manner and for the time prescribed by the commission.**

**Sec. 6. If a licensee violates this article, the commission may do any combination of the following:**

(1) Suspend, revoke, or restrict the license of the licensee.

(2) Impose a civil penalty set by the commission against a licensee for each violation of this article.

**Sec. 7. The commission shall require a licensee conducting gambling operations to use a cashless wagering system in which a player's money is converted to tokens or electronic cards that may be used only for wagering on electronic gaming devices.**

**Sec. 8. (a) The state police department shall assist the commission in conducting background investigations of applicants.**



(b) The commission shall reimburse the state police department for the costs incurred as a result of any assistance by the state police department from fees collected from applicants.

#### **Chapter 4. Distributor License**

**Sec. 1.** A distributor license issued under this chapter is required for a person to distribute, sell, or lease electronic gaming devices or equipment associated with electronic gaming devices in Indiana.

**Sec. 2.** To qualify for a distributor license, an applicant must do the following:

(1) Prove, using tax records and bills of sale, that the applicant has been doing business in Indiana for two (2) years before the date of the application.

(2) Maintain a place of business located in Indiana, including at least a warehouse and service facility.

**Sec. 3.** The commission shall adopt rules under IC 4-22-2 concerning other qualifications and procedures for granting a distributor license under this chapter.

**Sec. 4. (a)** For each distributor license that is issued by the commission, the commission shall create and maintain a list of the following:

(1) The name of the individual who signed the application for the license.

(2) The name, address, and telephone number of the distributor who issued the license.

**(b)** For each distributor license that is issued by the commission, the commission shall create and maintain a list of the following:

(1) The number of electronic gaming devices owned by each distributor.

(2) The serial numbers of each electronic gaming device.

**(c)** The lists described in subsections (a) and (b) must be made available for public inspection in the offices of the commission.

**Sec. 5.** A distributor may not own, manage, or control a club licensed under IC 4-35-5.

**Sec. 6.** A distributor may not distribute, sell, or lease an electronic gaming device in Indiana unless the device is approved by the commission under this article.

**Sec. 7.** A distributor may not distribute, sell, or lease an electronic gaming device to a club unless the club is licensed under IC 4-35-5 and listed under IC 4-35-5-4.

**Sec. 8. (a)** A distributor license issued under this chapter expires one (1) year after the date the license is issued.

**(b)** A distributor license issued under this chapter may be



renewed for a fee and in a manner determined by the commission.

#### **Chapter 5. Club License**

**Sec. 1.** A club license issued under this chapter entitles a qualified person described in section 2 of this chapter to have gambling operations on the premises of the club.

**Sec. 2.** To qualify for a club license, an applicant must be a veterans organization or a fraternal association that has a meeting place in which the veterans organization or fraternal association intends to hold gambling operations.

**Sec. 3.** A license issued under this article may not be transferred without prior written approval of the commission.

**Sec. 4. (a)** For each club license that is issued by the commission, the commission shall create and maintain a list of the following:

(1) The name of the individual who signed the application for the license.

(2) The name, address, and telephone number of the qualified person that was issued the license.

**(b)** For each club license that is issued by the commission, the commission shall create and maintain a list of the following:

(1) The number of electronic gaming devices at each club.

(2) The serial numbers of each electronic gaming device.

(3) The sticker numbers required under section 5(b) of this chapter.

**(c)** The lists described in subsections (a) and (b) must be available for public inspection in the offices of the commission.

**Sec. 5. (a)** A qualified person shall pay an annual fee established under IC 4-35-6 for each electronic gaming device located on the club premises.

**(b)** The commission shall annually issue a sticker with a number for each licensed electronic gaming device. The qualified person must place the sticker on each electronic gaming device that will be used for gambling operations.

**Sec. 6.** A club license issued under this chapter must be prominently displayed in the club.

**Sec. 7. (a)** A club license issued under this chapter expires one (1) year after the date the license is issued.

**(b)** A club license may be renewed for a fee and in a manner determined by the commission.

#### **Chapter 6. Fees**

**Sec. 1.** The commission shall adopt rules under IC 4-22-2 to establish fees for licenses issued under this article. The fees may not exceed the following:



(1) Five thousand dollars (\$5,000) annually for each distributor license.

(2) One thousand dollars (\$1,000) annually for a club license if the club has one (1) electronic gaming device. The licensee shall pay an additional one thousand dollars (\$1,000) for each additional electronic gaming device after the first electronic gaming device that the qualified person will operate in the club.

Sec. 2. Fees collected under this chapter shall be deposited in the electronic gaming fund established by IC 4-35-8.

#### Chapter 7. Operation of Electronic Gaming Devices

Sec. 1. Electronic gaming devices and equipment associated with electronic gaming devices shall be maintained and serviced in the manner and condition required by the commission.

Sec. 2. (a) A qualified person that holds a club license under this article is responsible for keeping a written service log in the main cabinet access area of the terminal of each electronic gaming device.

(b) A person, including an employee of the commission, who gains entry into any internal space of an electronic gaming device shall sign the log and indicate the following:

- (1) The time, date, and purpose of entry.
- (2) The electronic and mechanical meter readings.
- (3) Any parts of the terminal that are inspected or repaired.

(c) Service log forms must be:

- (1) obtained from the commission; and
- (2) retained by a qualified person during the time that the electronic gaming device is being used for gambling operations and for at least one (1) year after the electronic gaming device is removed from service.

(d) Service logs created under this section must be available for inspection by employees of the commission upon request.

Sec. 3. The commission may inspect an electronic gaming device terminal before the device or terminal is placed in operation to ensure that the electronic gaming device is in compliance with this article and the rules of the commission.

Sec. 4. Gambling operations may not take place at a club unless a club license is conspicuously posted at the club.

Sec. 5. Each electronic gaming device must prominently display a table listing the available prizes and the odds of winning.

Sec. 6. An electronic gaming device must dispense to each winning player a ticket that:



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(1) indicates the amount won; and

(2) contains information on how to redeem the ticket for cash.

**Sec. 7. (a)** The holder of a club license shall immediately pay a winning player an amount won on an electronic gaming device upon presentation by the player of a winning ticket.

(b) A club may not pay a player for a winning ticket from another club.

(c) A ticket that is not redeemed within forty-eight (48) hours after the ticket is dispensed is void.

**Sec. 8. (a)** A distributor shall maintain records of the operation of each of the distributor's electronic gaming devices that are placed in use. The records must be made available to the commission upon request and must be sufficient to ensure that the electronic gaming device is operated in compliance with this article and the rules of the commission.

(b) The records required under this section must be held by the licensee:

(1) during the time that each electronic gaming device is in operation; and

(2) for at least one (1) year after the device is no longer being used for gambling operations.

**Sec. 9. (a)** An electronic gaming device may not be operated in a location in a club where an individual less than twenty-one (21) years of age has access to the device.

(b) A qualified person that holds a club license may not allow an individual less than twenty-one (21) years of age to wager on an electronic gaming device.

#### **Chapter 8. Electronic Gaming Fund and Disbursement of Fund Money**

**Sec. 1.** As used in this chapter, "fund" refers to the electronic gaming fund established by section 2 of this chapter.

**Sec. 2.** The electronic gaming fund is established for the purpose of providing money for the state general fund. The fund shall be administered by the commission.

**Sec. 3.** Expenses of administering the fund shall be paid from money in the fund and are continually appropriated to the commission for the purposes specified in this article.

**Sec. 4.** The fund consists of licensing fees deposited into the fund under IC 4-35-6-2.

**Sec. 5.** The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public funds may be invested. Interest earned



from these investments shall be credited to the fund.

**Sec. 6.** After administrative expenses are paid under section 3 of this chapter, the treasurer of state shall transfer money in the fund at the end of a state fiscal year to the state general fund.

#### **Chapter 9. Crimes and Penalties**

**Sec. 1.** A person who knowingly or intentionally tampers with an electronic gaming device with intent to interfere with the proper operation of the electronic gaming device commits a Class D felony.

**Sec. 2.** A person who knowingly or intentionally, with intent to manipulate the outcome, payoff, or operation of an electronic gaming device, manipulates or attempts to manipulate the outcome, payoff, or operation of an electronic gaming device commits a Class D felony.

**Sec. 3.** (a) Except as provided in subsection (b), a person who knowingly or intentionally purchases, sells, leases, or places in a club for use by club members or the public a type of machine that:

(1) is authorized by the commission for play; and

(2) is not licensed under this article;

commits a Class D felony.

(b) Subsection (a) does not apply to a general coin operated machine used for amusement only.

**Sec. 4.** A person who knowingly or intentionally sells, leases, or operates an electronic gaming device that does not pay out at least seventy-five percent (75%) of the consideration paid to play or operate the electronic gaming device as winnings commits a Class D felony.

#### **Chapter 10. Wagering Taxes**

**Sec. 1.** Each qualified person that holds a club license under this article shall submit a quarterly report to the department of state revenue that contains a list of the following:

(1) The revenue generated weekly from the gambling operations.

(2) The money paid out each week as winnings to the patrons of the gambling operations.

(3) The amount that is the difference between the amounts listed in subdivisions (1) and (2).

(4) The revenue generated quarterly from the gambling operations.

(5) The money paid out each quarter as winnings to the patrons of the gambling operations.

(6) The amount that is the difference between the amounts

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1 listed in subdivisions (4) and (5).

2 **Sec. 2. A tax is imposed on the amount described in section 1(6)**  
3 **of this chapter at the rate of one percent (1%) and shall be paid to**  
4 **the department of state revenue by the club licensee on a quarterly**  
5 **basis.**

6 SECTION 3. IC 35-45-5-11 IS ADDED TO THE INDIANA CODE  
7 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
8 1, 1999]: **Sec. 11. This chapter does not apply to gambling on**  
9 **electronic gaming devices authorized by IC 4-35.**

10 SECTION 4. [EFFECTIVE JULY 1, 1999] (a) **The commission**  
11 **shall adopt rules under IC 4-22-2 before January 1, 2000, to**  
12 **implement IC 4-35, as added by this act.**

13 (b) **An electronic gaming device authorized by IC 4-35, as added**  
14 **by this act, may not be placed into operation before January 1,**  
15 **2000.**

16 (c) **This SECTION expires January 1, 2001.**

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